



Lockheed Martin Corporation

3rd Quarter 2018

Earnings Results Conference Call

October 23, 2018

11:00 am ET

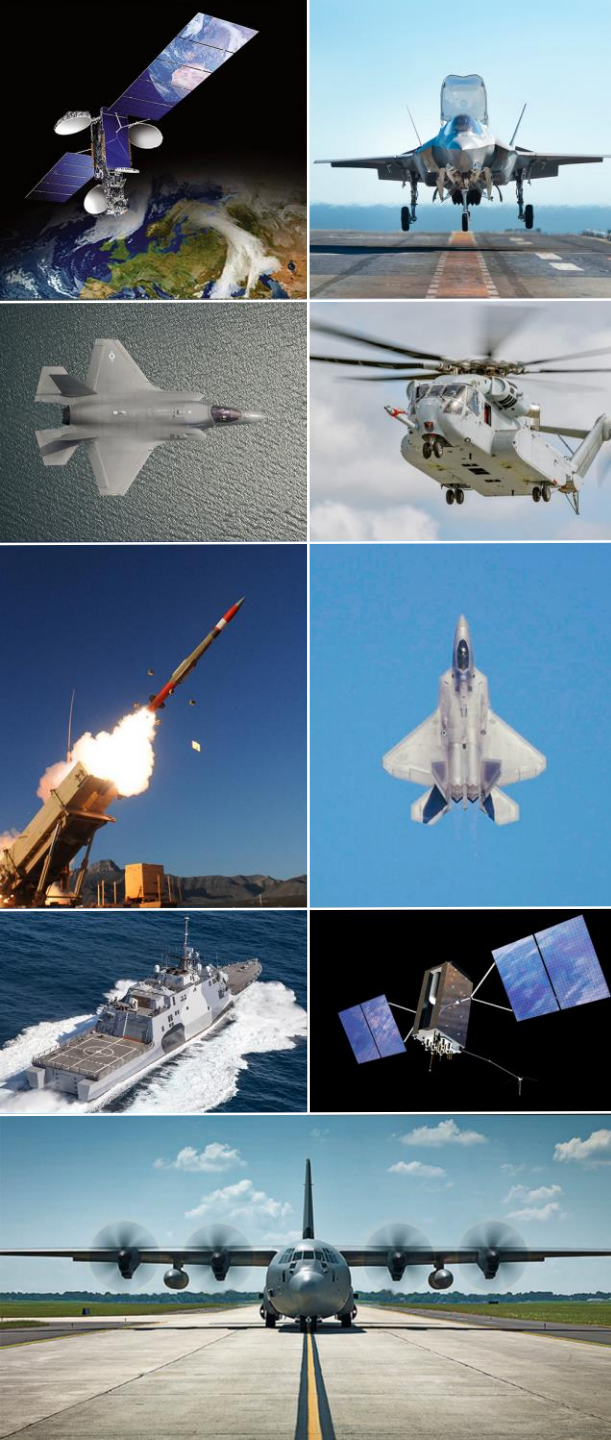
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Forward-Looking Statements



This presentation contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on Lockheed Martin's current expectations and assumptions. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "scheduled," "forecast" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as: the corporation's reliance on contracts with the U.S. Government, which are conditioned upon the availability of funding and can be terminated by the U.S. Government for convenience, and the corporation's ability to negotiate favorable contract terms; budget uncertainty; affordability initiatives; the risk of future sequestration under the Budget Control Act of 2011 or other budget cuts; risks related to the development, production, sustainability, performance, schedule, cost and requirements of complex and technologically advanced programs including the corporation's largest, the F-35 program; economic, industry, business and political conditions including their effects on governmental policy (including legislation, the effect of which is to temporarily prohibit deliveries of F-35s to Turkey until certain conditions are met (although not affecting payments to the corporation), or other trade policies or sanctions); the corporation's success expanding into and doing business in adjacent markets and internationally; the differing risks posed by international sales, including those involving commercial relationships with unfamiliar customers and different cultures; our ability to recover investments, which is frequently dependent upon the successful operation of ventures that we do not control; and changes in foreign national priorities, and foreign government budgets; the competitive environment for the corporation's products and services, including increased pricing pressures, aggressive pricing in the absence of cost realism evaluation criteria, competition from outside the aerospace and defense industry, and increased bid protests; planned production rates for significant programs; compliance with stringent performance and reliability standards; materials availability; the performance and financial viability of key suppliers, teammates, ventures, venture partners, subcontractors and customers; the timing and customer acceptance of product deliveries; the corporation's ability to continue to innovate and develop new products and to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions; the impact of cyber or other security threats or other disruptions to the corporation's businesses; the corporation's ability to implement and continue capitalization changes such as share repurchases and dividend payments, pension funding as well as the pace and effect of any such capitalization changes; the corporation's ability to recover certain costs under U.S. Government contracts and changes in contract mix; the accuracy of the corporation's estimates and projections; movements in interest rates and other changes that may affect pension plan assumptions, equity, the level of the FAS/CAS adjustment and actual returns on pension plan assets; realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and the corporation's efforts to increase the efficiency of its operations and improve the affordability of its products and services; risk of an impairment of goodwill and intangible assets, investments or other long-term assets, including the potential impairment of goodwill, intangible assets and inventory recorded as a result of the acquisition of the Sikorsky business and the potential impairment of our equity investment in Advanced Military Maintenance, Repair and Overhaul Center LLC (AMMROC); the adequacy of the corporation's insurance and indemnities; the effect of changes in (or in the interpretation of) procurement and other regulations and policies affecting our industry, including export, cost allowability or recovery, aggressive government positions with respect to the use and ownership of intellectual property and potential changes to the Department of Defense's acquisition regulations relating to progress payments and performance based payments; the effect of changes in accounting, taxation (including the impact of the Tax Cuts and Jobs Act), or export regulations; and the outcome of legal proceedings, bid protests, environmental remediation efforts, government investigations or government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in the corporation's business systems. These are only some of the factors that may affect the forward-looking statements contained in this news release. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the corporation's filings with the U.S. Securities and Exchange Commission (SEC) including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in the corporation's Annual Report on Form 10-K for the year ended Dec. 31, 2017 and subsequent quarterly reports on Form 10-Q. The corporation's filings may be accessed through the Investor Relations page of its website, www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov. The corporation's actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this presentation speak only as of the date of its filing. Except where required by applicable law, the corporation expressly disclaims a duty to provide updates to forward-looking statements after the date of this presentation to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this presentation are intended to be subject to the safe harbor protection provided by the federal securities laws.

3Q 2018 Overview



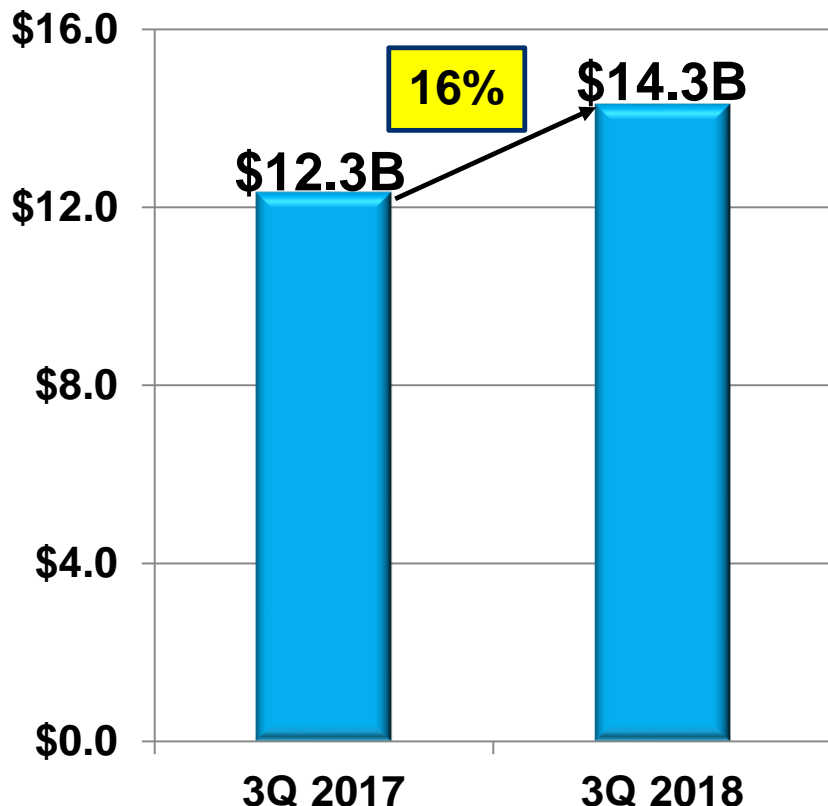
- **Achieved Sales of \$14.3 Billion**
- **Achieved Segment Operating Profit* of \$1.6 Billion and Earnings Per Share of \$5.14**
- **Generated \$1.9 Billion in Cash from Operations before \$1.5 Billion in Pension Contributions**
- **Returned ~\$800 Million of Cash to Stockholders through Dividends and Share Repurchases**
- **Achieved Record Backlog of \$109 Billion**

Strong Financial Results Across the Entire Portfolio

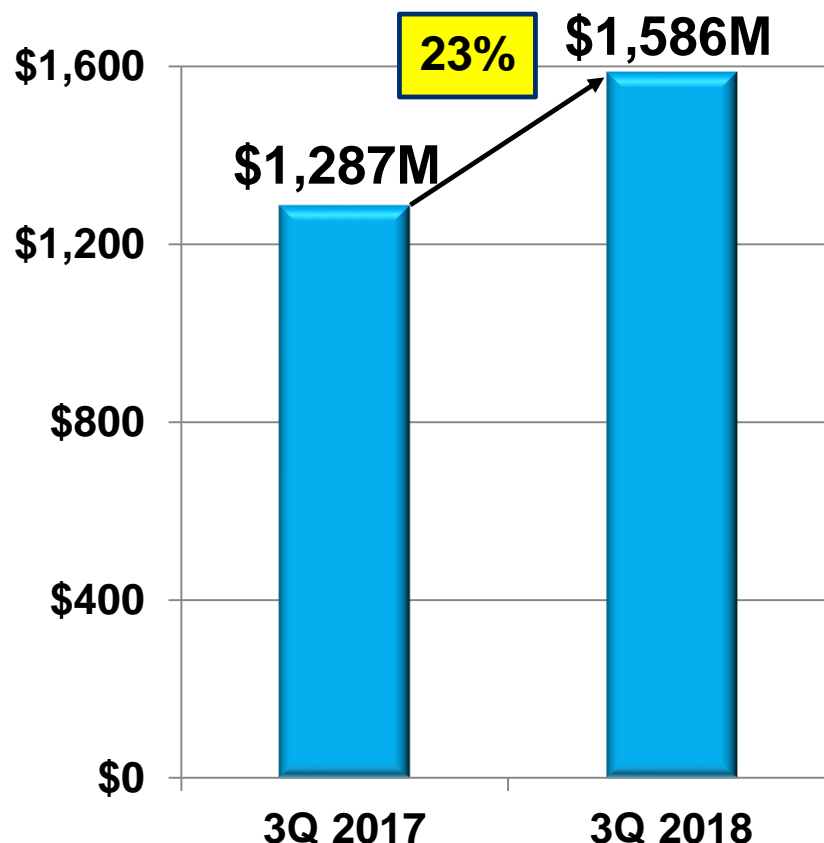
3Q Sales and Segment Operating Profit*



Sales (\$B)

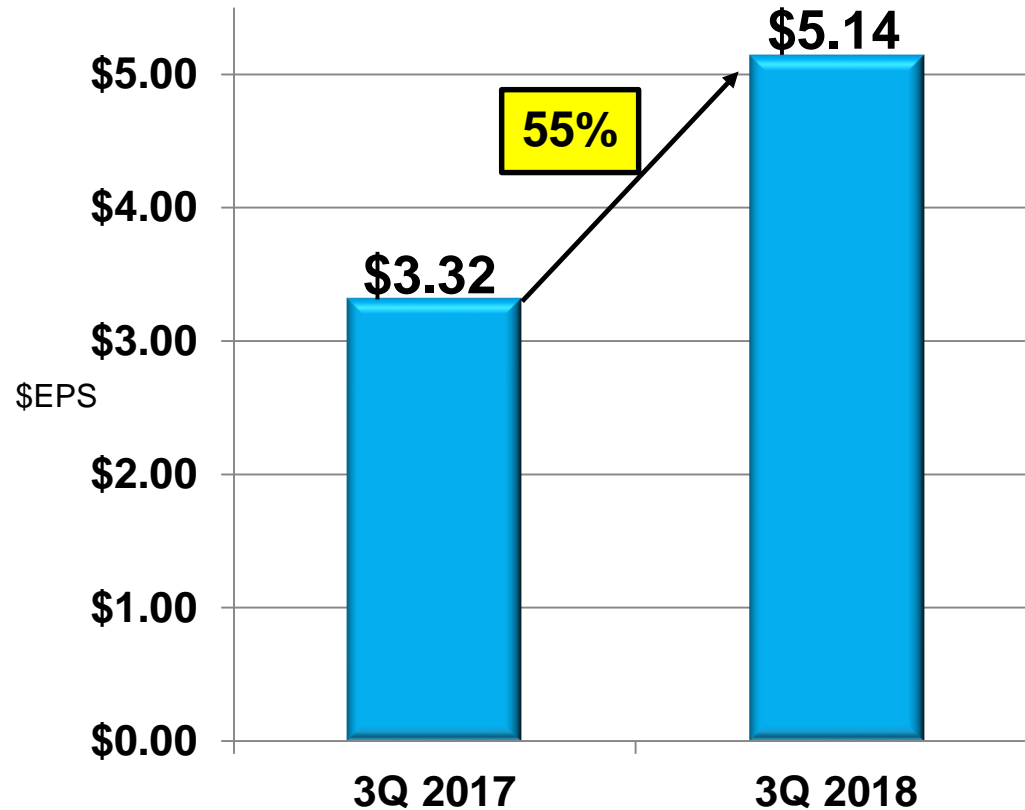


Segment Operating Profit (\$M)



Double Digit Year-over-Year Increases for Sales and Segment Operating Profit

3Q Earnings Per Share



Continued EPS Performance...Increased Full Year Outlook

2018 Outlook Update

(\$M, Except EPS)



	Prior Outlook (July)	October 2018 Outlook
Sales	\$51,600 – \$53,100	~ \$53,000
Segment Operating Profit*	\$5,575 – \$5,725	~ \$5,800
Net FAS/CAS Pension Adjustment**	~ \$1,010	~ \$1,010
Diluted EPS	\$16.75 – \$17.05	~ \$17.50
Cash from Operations	≥ \$3,300	≥ \$3,400

2018 EPS Outlook Reconciliation



Diluted EPS

July 2018 Outlook

\$16.75 - \$17.05

Operational Performance

0.40

Tax Rate / Other

0.20

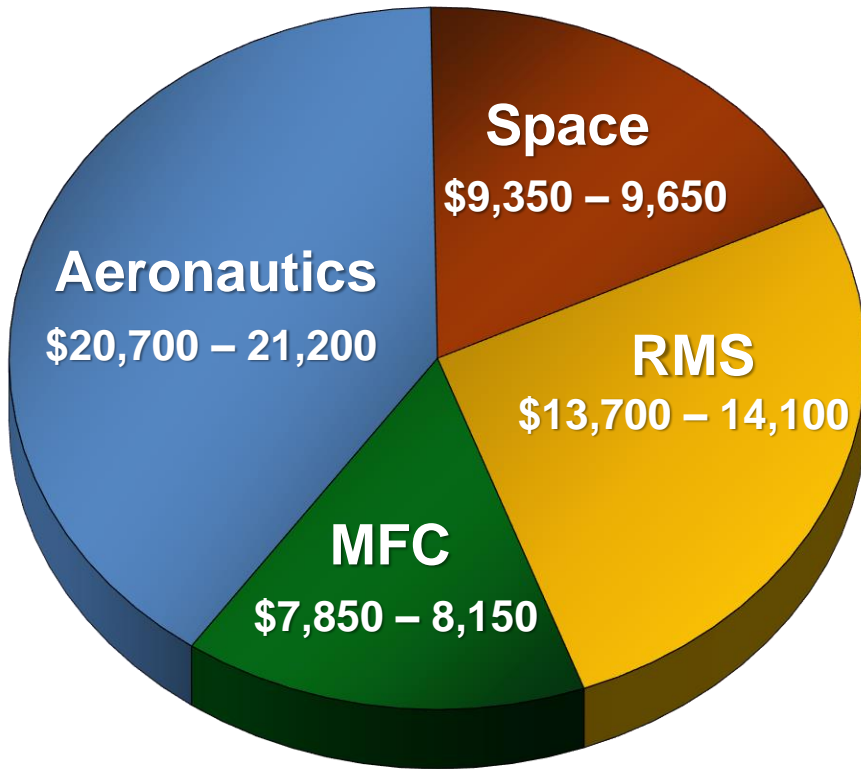
October 2018 Outlook

~\$17.50

2018 Sales Outlook (\$M)

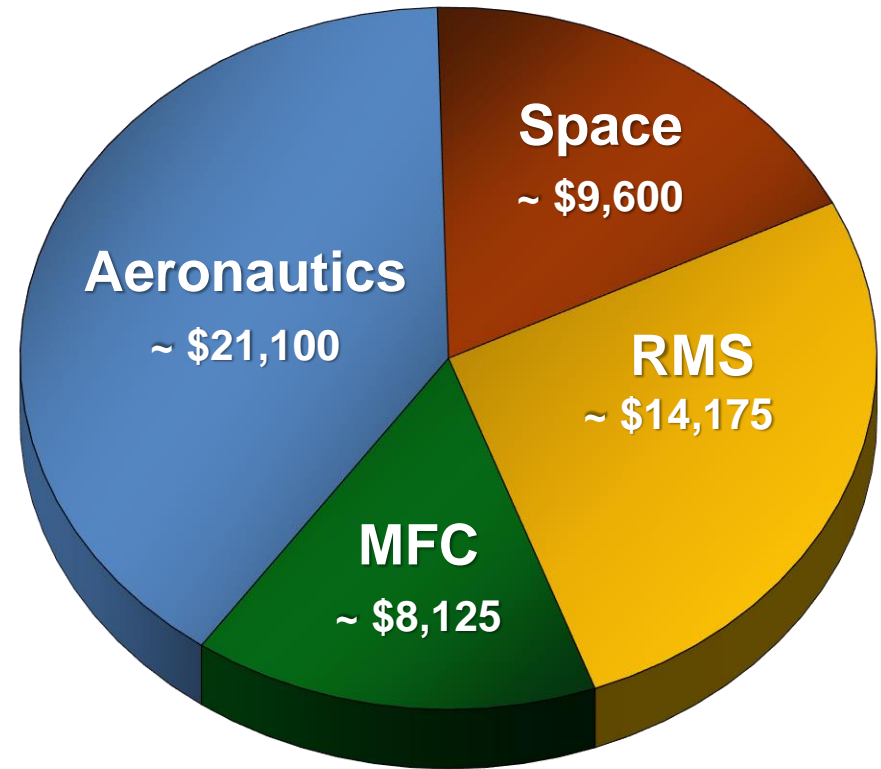


Sales (Prior)



\$51,600 - 53,100M

Sales (Current)



~ \$53,000

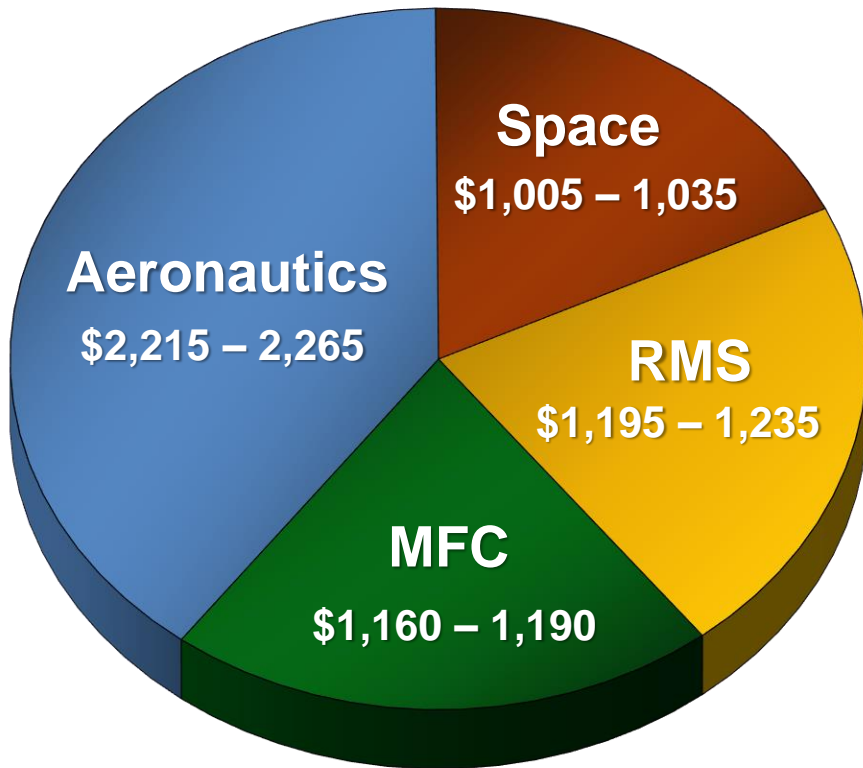
Sales Outlook Increased ~\$650M from Prior Mid-Point

2018 Segment Operating Profit* Outlook

(\$M)

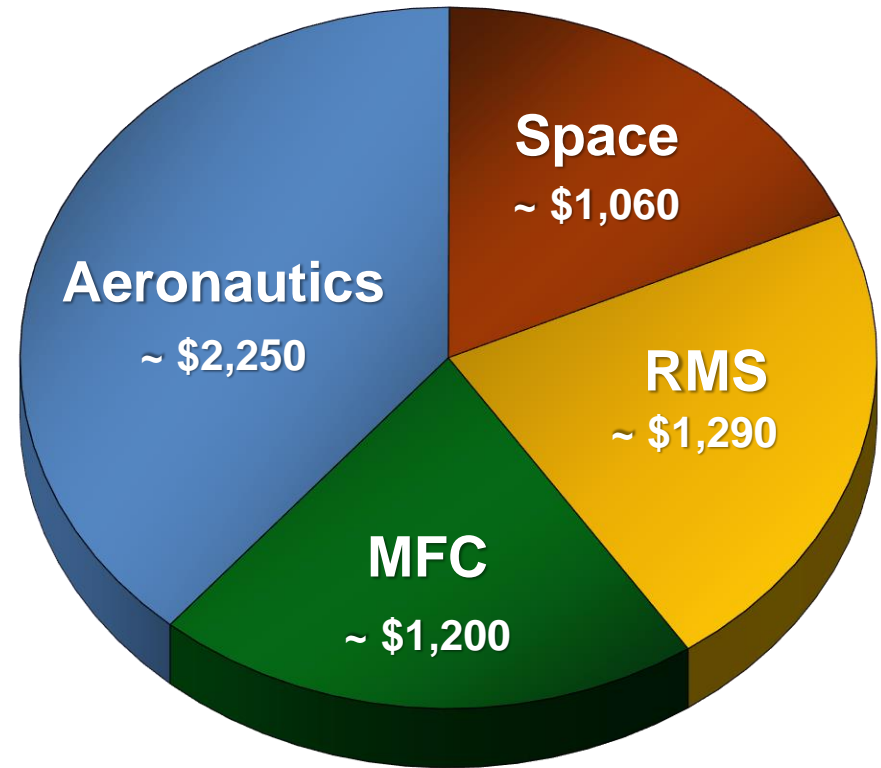


Segment Op Profit (Prior)



\$5,575 - 5,725M

Segment Op Profit (Current)



~ \$5,800

Segment Operating Profit Outlook Increased ~\$150M from Prior Mid-Point

Preliminary Trends – 2019



2019 Outlook

- **Sales Increase 5% – 6% from Current 2018 Outlook**
- **Segment Operating Margin* 10.5% – 10.8%**
- **Cash from Operations \geq \$7.0 Billion**
- **Share Repurchases \geq \$1.0 Billion**
- **Debt Maturity \$900 Million**

FAS/CAS Outlook**

- **2019 Net FAS/CAS Pension Adjustment ~\$1.5B**
 - Assumes 4.125% Discount Rate at Year-End 2018
 - Assumes 1.0% Return on Plan Assets in 2018
 - Assumes 7.0% Long-Term Return on Assets

Continued Strong Growth and Cash Generation

Summary



- **Strong Performance Across All Business Areas**
 - **Significant Year-to-Date Orders Driving Backlog and Growth**
- **Improved Outlook for All Financial Metrics**
- **2019 Preliminary Trends Support Continued Growth**

Focused Commitment to Stockholders and Delivering Results



Financial Appendix

Definitions of Non-GAAP Measures



Non-GAAP Financial Measures Disclosure

This presentation, and today's conference call remarks, contain non-Generally Accepted Accounting Principles (GAAP) financial measures (as defined by SEC Regulation G). While we believe that these non-GAAP financial measures may be useful in evaluating Lockheed Martin, this information should be considered supplemental and is not a substitute for financial information prepared in accordance with GAAP. In addition, our definitions for non-GAAP measures may differ from similarly titled measures used by other companies or analysts.

Segment Operating Profit / Margin

Segment Operating Profit represents the total earnings from our business segments before unallocated income and expense, interest expense, other non-operating income and expense, and income tax expense. This measure is used by our senior management in evaluating the performance of our business segments. The caption "Total Unallocated Items" reconciles Segment Operating Profit to Consolidated Operating Profit. Segment Margin is calculated by dividing Segment Operating Profit by Sales. Mid-point Segment Margin represents the mid-point of the outlook range for Segment Operating Profit divided by the mid-point of the outlook range for Sales.

(\$ Millions)	<u>2018 Outlook (October)</u>			<u>2018 Outlook (July)</u>		
	Sales	Profit	Margin	Sales	Profit	Margin
Sales	~ \$53,000			\$51,600 – 53,100		
Segment Operating Profit	~ \$5,800			\$5,575 – \$5,725		
FAS/CAS Operating Adjustment	~ \$1,805			~ 1,805		
Other, net	~ (275)			~ (270)		
Segment Margin	~ 10.9%			10.8%		
Consolidated Operating Profit	~ \$7,350			\$7,110 – 7,260		

	3Q 2018			3Q 2017		
	Sales	Profit	Margin	Sales	Profit	Margin
Segment Operating Profit	\$ 14,318	\$ 1,586	11.1%	\$ 12,341	\$ 1,287	10.4%
Total Unallocated Items	-	377		-	390	
Consolidated Operating Profit (GAAP)	\$ 14,318	\$ 1,963	13.7%	\$ 12,341	\$ 1,677	13.6%

Appendix

(\$M)



	<u>2018 Outlook</u>	<u>2019 Preliminary Trends</u>
Total FAS expense and CAS costs		
FAS pension expense	(\$1,425)	~ (\$1,065)
Less: CAS pension cost	<u>2,435</u>	<u>~ 2,565</u>
Net FAS/CAS pension adjustment	<u>\$1,010</u>	<u>~ \$1,500</u>
 Service and non-service cost reconciliation		
FAS pension service expense	(\$630)	~ (\$535)
Less: CAS pension cost	<u>2,435</u>	<u>~ 2,565</u>
FAS/CAS Operating adjustment	\$1,805	~ \$2,030
Non-operating FAS pension expense*	<u>(795)</u>	<u>~ (530)</u>
Net FAS/CAS pension adjustment	<u>\$1,010</u>	<u>~ \$1,500</u>

*The corporation records the non-service cost components of net periodic benefit cost as part of other non-operating expense, net in the consolidated statement of earnings. The non-service cost components in the table above relate only to our qualified defined benefit pension plans. The corporation expects total non-service costs for our qualified defined benefit pension plans in the table above, along with non-service costs for our other postretirement benefit plans of \$70 million and \$100 million for 2018 and 2019, to total \$865 million and \$630 million for 2018 and 2019.

